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SUBJECT: PALACIO OUTLINES PLAN FOR HIS REMAINING EIGHTEEN MONTHS

1. Summary: In public comments on May 24, President Alfredo Palacio fleshed out his government's plan for its remaining 18 months, focusing on six points: politics, the economy, foreign policy, infrastructure, health and education, and security. The President set a timeframe of three to six months for a Popular Assembly that will propose constitutional reforms by popular referendum. Palacio reiterated that he will respect existing international agreements. End Summary.

Palacio's Six Points

2. POLITICS: Palacio said a priority would be the re-establishment of the Supreme Court, Attorney General, Comptroller General, and the Constitutional Tribunal, all independent from partisanship. He proposed a complete review of electoral laws, and consideration of representation by district for Congressional deputies, a bicameral legislative branch, and a modification of the laws governing political parties and movements. Palacio said he would seek political decentralization. A Popular Assembly would be formed to propose constitutional reforms to be submitted to a national referendum in the next three to six months.

3. ECONOMY: Palacio said Ecuador would honor its foreign debt as long as he is able to continue investing in Ecuador's productive capacity and social needs. A reform has been sent to Congress to remove investment spending from the ceiling of 3.5% growth in government spending. Palacio would reallocate the petroleum stabilization fund (FEIREP): 40% for national productive reactivation and for debt repurchase, 15% for health, 15% for education, 20% for oil stabilization, and 10% for scientific research. The government intends to create a Ministry of Science and Technology.

4. FOREIGN POLICY: Palacio said Ecuador would maintain its respect for international law and its principles, as well as for all international agreements, treaties, and contracts signed by the State. Palacio asked the United States and Canada to support change in its relations with the International Monetary Fund and the World Bank, to permit Ecuador to escape its underdevelopment. There was no specific reference to the free trade agreement, though he said Ecuador would negotiate commercial agreements with many countries, including the United States.

5. HEALTH AND EDUCATION: Palacio said he would implement a government-run universal health insurance policy. He said he would seek to improve education and encourage private scientific research to help reduce the high rate of migration.

6. INFRASTRUCTURE: Palacio said public and private savings should be made available at low interest rates to invest in communications and roads, telecommunications, natural resources, the environment, and water. With funds from the Ecuadorian Social Security Institute, Ecuador will fund a project to better utilize oil resources, while benefiting retirees.

7. SECURITY: Due to an increase in crime, there must be a consolidation of the judicial system, a review of the police system, and clarification of the role of the Armed Forces in security matters. In the long run, extreme poverty, inequity, social injustice, and disease, must be reduced to prevent crime.

Comment

8. Palacio announced his proposal in response to increasing public pressure for his government to chart its path. With just a year to achieve reforms before the next Presidential campaign begins in July 2006, his plan could be faulted for being over-ambitious, and on some issues, such as political reform, ill defined. This was Palacio's first mention of a Popular Assembly, for example, and no details were given on how that would be structured. Until now, the GOE had flirted with a series of assemblies or dialogue roundtables, a key demand of the protest movement. Although his plan does not counter USG interests, it does have a more nationalistic flavor, and we are concerned about the sustainability of Ecuador's fiscal situation.
Chacon